



OregonLive.com

Everything Oregon

The Oregonian

Older area of Pearl District may be next in line for face-lift

Wednesday, August 03, 2005

DYLAN RIVERA
The Oregonian

After about four years of planning delays, developers are seeking city permits for a project that would round out the Pearl District's northern flank with a mainstream supermarket and a burst of new offices and apartments.

Developer Unico Properties Inc., a Seattle-based office space giant best known locally for owning the U.S. Bancorp Tower, had an initial meeting with city officials last week to discuss the development. The new center is proposed for Northwest Lovejoy Street, between Northwest 14th and 12th avenues, on land owned by Bob Ames and Al Solheim, longtime investors in the former industrial district.

The development team plans a 17-story apartment building, including street-level retail, on Lovejoy between Northwest 12th and 13th avenues. To the west, across 13th, a Safeway store would occupy 11/2 floors, topped by three floors of parking and three of office space for lease.

The new office and retail space, including the mass-market grocery, would help broaden the amenities for the Pearl District's concentration of apartments and condominiums. It also signals the northward advance of the district, centered on Northwest Everett and Glisan streets, into older warehouse and vacant industrial space.

"It's no secret that downtown Portland and the Pearl District are fantastic places and people want to be near that," said Greg Van Patten, manager of multifamily investments for Unico.

Developers hope to open the Safeway block in October 2007 and the apartments in May 2008.

Unico became involved about eight months ago, when Ames and Solheim's previous partner, a unit of Wesbild Inc. of Vancouver, B.C., dropped out. In 2003, Wesbild had planned two buildings of apartments, including the first-floor Safeway location. Unico added the idea of office space starting on the seventh floor above Safeway. Parking spaces in between would serve the store and offices.

Unico views the project as a chance to diversify into apartment ownership and bring office space to a trendy area with appeal distinct from the central business district, Van Patten said.

"There is a segment of office users that want something different, something unique, something more Pearl-like," Van Patten said.

The three floors of offices will offer conveniences that tenants expect in downtown buildings, Van Patten said, but likely with interiors that include industrial elements such as exposed concrete beams.

"We wouldn't do this in the central business district," he said.

Now is a good time to start putting up that much office space, said Michael D. Holzgang, a downtown office broker with Colliers International brokerage.

Downtown office buildings were 12.2 percent vacant in the second quarter, down from 15.6 percent a year ago, according to Colliers' Portland office. The Pearl District and the Central Eastside Industrial Area also have shown strong demand for funky office space in an urban setting, Holzgang said.

"The hardest thing about offices in that district is parking," Holzgang said. "So to the extent they have parking availability, that is a very good scale development."

The office space and grocery store would be welcome, said David August, president of the Pearl District Neighborhood Association.

Whole Foods Market, the nation's largest natural foods grocery chain, opened its first Portland-area outlet in the Brewery Blocks, located on the southern edge of the Pearl District, in 2002.

Safeway is prepared to compete with Whole Foods, company spokesman Bridget Flanagan said. The supermarket would offer a "lifestyle concept" format that is intended to replicate high-end boutique groceries but remain competitive with discounters.

"It's an upscale experience without the upscale price," Flanagan said. "We're trying to give our customers -- any time of the week, any time of the day -- almost anything that they want."

Store No. 2790 would be surrounded by generous amounts of glass, enlivening surrounding streets much as the Museum Place store does for Southwest Jefferson Street and 10th Avenue, Flanagan said.

"If I can see somebody shopping, I'm less likely to feel threatened when I'm walking at night," she said.

The Safeway also would better serve residents of five affordable housing complexes a short walk away, said August, the neighborhood association president. "Then we'll have grocery stores available at all income levels, and for us that's important," he said.

Demand for Pearl District apartments -- and condos -- has run high. Developers have opened four apartment buildings in the Pearl this year, including The Lexis, which was converted to condominiums a few months after it opened. Many units were grabbed up before they were built.

Van Patten said Unico would own its about 230 to 240 units for the long haul. "It's not just build condos and flip them," he said.

The project faces many regulatory hurdles and hearings. Developers said they need to undergo parking reviews, obtain a permit for a store bigger than 40,000 square feet and seek the city design commission's blessing.

Unico also plans to apply for a 10-year city tax abatement for the apartment building, Van Patten said. To qualify, the building would be constructed with environmental features and 15 percent of the units would be affordable to families earning 80 percent or less of the Portland-area's median family income, he said.

"The costs are so great that that incentive is necessary to make the project pencil," Van Patten said.

Dylan Rivera: 503-221-8532; dylanrivera@news.oregonian.com.